

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6690**

**BILL NUMBER:** HB 1670

**NOTE PREPARED:** Dec 30, 2008

**BILL AMENDED:**

**SUBJECT:** Plan to Restore Property Tax Cycle.

**FIRST AUTHOR:** Rep. Michael

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill requires the Department of Local Government Finance to make recommendations for action necessary to restore timeliness to the process of local budgeting and the imposition of property taxes.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** This bill directs the Department of Local Government Finance (DLGF) to conduct a study to determine what statutory or policy changes, if any, have to be implemented to ensure that property tax statements for taxes payable in 2011 are mailed to taxpayers on time (by April 25, 2011, under current law). The study would focus on the property tax assessment process, budgeting and the setting of property tax rates by taxing units, and the tax billing process. In conducting the study, the Department is directed to consult with the Indiana Association of Cities and Towns, the Association of Indiana Counties, and any other individuals or organizations that the Department may deem appropriate. The study must be completed and the results forwarded to the Governor and the Legislative Council by July 31, 2009.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

**Background:** The property tax billing cycle consists of a series of related steps, each of which must meet its

deadline in order for tax bills to be issued on time. Failure to do so invariably delays the completion of subsequent steps. In order to describe the process, this synopsis assumes that property taxes would be payable in 2009. From a DLGF perspective there are three critical milestones that must be met if tax bills are to be sent to taxpayers on time (in this case April 25, 2009, under current law): receipt and approval of ratio studies, certification of assessed values (AVs), and the approval of local budgets. Ratio studies measure the accuracy and equity of assessments. This determines how close the assessments determined by local assessing officials are to market value. Certified AVs comprise the tax base used to compute tax levies. Budget approval sets tax rates, levies, and spending levels for local taxing units.

For taxes payable in 2009, the deadline for DLGF to receive ratio studies from the counties is May 2008 with the Department's approval completed by June 2008; the deadline for AVs to be certified is August 1, 2008; and that for budget approval is February 15, 2009.

As part of the ratio study review and approval process, counties were expected to submit sales data to the DLGF by March 2008. However, the department did not receive the first submission until July 2008 (49 counties have submitted their data by December 2008). As indicated above, the Department should have received ratio studies from the counties by May 2008 and completed its review one month later. The first study was received in July 2008 with the final study expected to be received in January 2010. The Department approved the first study in July 2008 and is expected to approve all studies by February 2010.

The counties have missed the August 1, 2008, deadline for transmitting certified AVs to the DLGF. The Department received the first submission in December 2008, and the last county is expected to submit its data by June 2010.

The delay in the submission of AVs will also delay the budget approval process, scheduled to be originally completed by February 2009. The Department should have started budget hearings in October 2008, but as of December 2008, they have not yet begun. By February 2009, the Department expects to approve the budgets of 44 counties, with the remaining counties approved by June 2010. As a result, the 2009 tax bills for about half of the counties would probably be delayed.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DLGF

**Local Agencies Affected:**

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